

Estes, Bridgewater & Ogden

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ILLINOIS CPA SOCIETY
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

October 4, 2012

To the Honorable Mayor and City Council
City of Lincoln, Illinois

In planning and performing our audit of the financial statements of the City of Lincoln as of and for the year ended April 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered City of Lincoln's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of a matter that provides an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding that matter. This letter does not affect our report dated October 4, 2012 on the financial statements of the City of Lincoln.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Estes, Bridgewater & Ogden
Certified Public Accountants

Credit Card Receipts

During our audit, we noted instances of credit card receipts not attached to the credit card statement that provides detail of the expenditure and substantiation of the business purpose of the expenditure.

We recommend that credit card statements submitted for payment should include all the detailed receipts for each charge to support the business purpose of the expenditure.

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October 4, 2012

To the Mayor and City Council
City of Lincoln, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Illinois, for the year ended April 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 9, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Lincoln, Illinois, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending April 30, 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 4, 2012.

Management Consultations with Other Independent Accountants

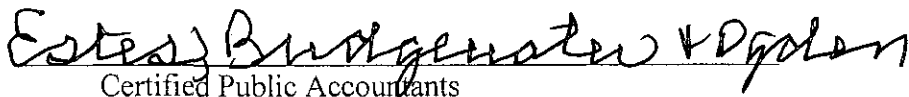
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Mayor and City Council and management of the City of Lincoln, Illinois, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Certified Public Accountants

KEITH SNYDER
MAYOR

SUSAN K. GEHLBACH
CITY CLERK

CHARLES N. CONZO
CITY TREASURER

WILLIAM B. BATES, JR.
CITY ATTORNEY



CITY OF LINCOLN, ILLINOIS

700 Broadway St., P.O. Box 509, Lincoln, IL 62656

Named for and Christened by Abraham Lincoln, 1853 — Incorporated February 16, 1865

CITY COUNCIL MEETS FIRST AND THIRD MONDAY NIGHTS EACH MONTH

ALDERMEN

FIRST WARD
STACY BACON
MELODY ANDERSON

SECOND WARD
DAVID WILMERT
KATHLEEN M. HORN

THIRD WARD
DAVID R. ARMBRUST
JONETTE "JONIE" TIBBS

FOURTH WARD
TOM O'DONOHUE
O. V. BUSBY

FIFTH WARD
JEFF HOINACKI
MARTHA NEITZEL

October 4, 2012

Estes, Bridgewater & Ogden
901 S. Second Street
Springfield, IL 62704

We are providing this letter in connection with your audit of the financial statements of the City of Lincoln, Illinois as of April 30, 2012 for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Illinois and the respective changes in financial position and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of October 4, 2012, the following representations made to you during your audit.

- 1: The financial statements referred to above are fairly presented in conformity with U. S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all-
 - a) Financial records and related data (and all audit or relevant monitoring reports, if any, received from funding sources).
 - b) Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
8. The City of Lincoln, Illinois has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
9. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which the City of Lincoln, Illinois is contingently liable.
 - c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
10. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
11. There are no –
 - a) Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.
 - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.

12. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
13. The City of Lincoln, Illinois has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
14. The City of Lincoln, Illinois has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
15. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
16. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
17. The financial statements properly classify all funds and activities.
18. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
19. Components of net assets (invested in capital assets, net of related debt; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
20. Provisions for uncollectible receivables have been properly identified and recorded.
21. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
22. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
23. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
24. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
25. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
26. We have appropriately disclosed the City of Lincoln, Illinois' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.

27. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

28. With respect to the Schedule of Debt Margin, Schedule of Assessed Valuations, Rates, Extensions and Collections, and Individual Non-Major Fund Financial Statements, we acknowledge our responsibility for presenting the Schedule of Debt Margin, Schedule of Assessed Valuations, Rates, Extensions and Collections, and Individual Non-Major Fund Financial Statements in accordance with accounting principles generally accepted in the United States of America, and we believe the Schedule of Debt Margin, Schedule of Assessed Valuations, Rates, Extensions and Collections, and Individual Non-Major Fund Financial Statements, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Schedule of Debt Margin, Schedule of Assessed Valuations, Rates, Extensions and Collections, and Individual Non-Major Fund Financial Statements have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

29. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: Keith Smyth

Signed: Susan K. Behlrich

Title: Mayor

Title: City Clerk

CITY OF LINCOLN, ILLINOIS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2012

City of Lincoln, Illinois
Annual Financial Report
For the Year Ended April 30, 2012

Table of Contents

	<u>Page</u>
Independent Auditor's Report on the Financial Statements	1-2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Schedule of Findings and Responses	5
Summary Schedule of Prior Audit Findings	6
BASIC FINANCIAL STATEMENTS:	
	<u>Statement</u>
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets	7
Statement of Activities	8
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets – Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Governmental Funds	12
Statement of Net Assets – Proprietary Funds	13
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	14
Statement of Cash Flows – Proprietary Funds	15
Statement of Fiduciary Net Assets – Fiduciary Funds	16
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	17
Notes to the Basic Financial Statements	18-34

City of Lincoln, Illinois
Annual Financial Report
For the Year Ended April 30, 2012

Table of Contents

		<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION:		
	<u>Schedule</u>	
Schedule of Funding Progress – Regular Plan	1	35
Schedule of Funding Progress – Sheriff's Law Enforcement Personnel	2	36
<u>Budgetary Comparison Schedules-Major Funds:</u>		
General Fund	3	37-41
Motor Fuel Tax Fund	4	42
Liability Insurance Fund	5	43
Debt Service Fund	6	44
Notes to Required Supplementary Information – Budgetary Comparison Schedules		45
SUPPLEMENTARY FINANCIAL INFORMATION:		
<u>Combining Non-Major Fund Statements:</u>		
Combining Balance Sheet – Special Revenue Funds	7	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Special Revenue Funds	8	47
<u>Combining Proprietary Fund Financial Statements:</u>		
Combining Balance Sheet – Enterprise Funds	9	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Enterprise Funds	10	49
Combining Schedule of Cash Flows – Enterprise Funds	11	50
Schedule of Assessed Valuations, Tax Rates, Extensions and Collections	12	51-52
Schedule of Legal Debt Margin	13	53

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
And City Council
City of Lincoln, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Illinois, as of and for the year ended April 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lincoln, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Lincoln, Illinois as of April 30, 2012, and the results of its operations and cash flows of its proprietary and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2012 on our consideration of the City of Lincoln, Illinois' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and do not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Illinois Municipal Retirement Fund Schedules of Funding Progress and budgetary comparison information on pages 37 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of

America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Lincoln, Illinois' basic financial statements. The combining nonmajor fund and enterprise financial statements and schedule of taxes extended and collected and the schedule of legal debt margin listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Estes, Brubaker & Ogden
Certified Public Accountants

October 4, 2012

Estes, Bridgewater & Ogden

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor
And City Council
City of Lincoln, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Illinois as of and for the year ended April 30, 2012, which collectively comprise the City of Lincoln, Illinois' basic financial statements and have issued our report thereon dated October 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lincoln, Illinois' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lincoln, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lincoln, Illinois' internal control over financial reporting.


A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lincoln, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the City of Lincoln, Illinois' management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

October 4, 2012

City of Lincoln, Illinois
SCHEDULE OF FINDINGS AND RESPONSES
April 30, 2012

There are no findings to report at April 30, 2012.

City of Lincoln, Illinois
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
Prior Year Findings
April 30, 2012

There were no findings to report at April 30, 2011.

City of Lincoln, Illinois
STATEMENT OF NET ASSETS
April 30, 2012

Statement 1

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>Assets</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,089,213	\$ 366,751	\$ 3,455,964
Accounts receivable	-	537,348	537,348
Taxes receivable.....	1,742,000	-	1,742,000
Due from other governments	<u>1,578,099</u>	<u>-</u>	<u>1,578,099</u>
Total Current Assets.....	<u>6,409,312</u>	<u>904,099</u>	<u>7,313,411</u>
CAPITAL ASSETS			
Land.....	11,344	-	11,344
Buildings and improvements	8,133,775	-	8,133,775
Equipment.....	793,713	-	793,713
Vehicles.....	3,743,911	-	3,743,911
Streets.....	4,089,502	-	4,089,502
Utility systems.....	<u>-</u>	<u>14,845,742</u>	<u>14,845,742</u>
Total Cost of Capital Assets.....	16,772,245	14,845,742	31,617,987
Less accumulated depreciation	(<u>8,859,940</u>)	(<u>7,020,135</u>)	(<u>15,880,075</u>)
Net Capital Assets	<u>7,912,305</u>	<u>7,825,607</u>	<u>15,737,912</u>
TOTAL ASSETS	<u>14,321,617</u>	<u>8,729,706</u>	<u>23,051,323</u>
<u>Liabilities and Net Assets</u>			
CURRENT LIABILITIES			
Accounts payable	46,238	37,201	83,439
Deferred income.....	1,784,450	14,720	1,799,170
Current portion – notes and bonds payable	<u>298,194</u>	<u>477,639</u>	<u>775,833</u>
Total Current Liabilities	<u>2,128,882</u>	<u>529,560</u>	<u>2,658,442</u>
LONG-TERM DEBT			
Notes and bonds payable (less current portion).....	<u>337,172</u>	<u>6,051,453</u>	<u>6,388,625</u>
TOTAL LIABILITIES	<u>2,466,054</u>	<u>6,581,013</u>	<u>9,047,067</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	7,831,439	1,296,515	9,127,954
Restricted for:			
Debt service.....	418,542	993,892	1,412,434
Special projects	736,851	-	736,851
Unrestricted	<u>2,868,731</u>	(<u>141,714</u>)	<u>2,727,017</u>
TOTAL NET ASSETS	<u>\$11,855,563</u>	<u>\$ 2,148,693</u>	<u>\$14,004,256</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- type Activities	Total
<u>FUNCTIONS/PROGRAMS:</u>						
Primary Government:						
Governmental activities:						
General government.....	\$ 1,689,659	\$ 492,484	\$ -	(\$ 1,197,175)	\$ -	(\$ 1,197,175)
Public safety	3,374,933	116,802	-	(3,258,131)	-	(3,258,131)
Public works.....	1,862,878	-	28,692	(1,834,186)	-	(1,834,186)
Debt services.....	<u>40,313</u>	<u>-</u>	<u>-</u>	<u>(40,313)</u>	<u>-</u>	<u>(40,313)</u>
Total governmental activities.....	<u>6,967,783</u>	<u>609,286</u>	<u>28,692</u>	<u>(6,329,805)</u>	<u>-</u>	<u>(6,329,805)</u>
Business-type activities:						
Sewer Utility	<u>2,491,742</u>	<u>2,836,284</u>	<u>-</u>	<u>-</u>	<u>344,542</u>	<u>344,542</u>
Total Primary Government.....	<u>\$ 9,459,525</u>	<u>\$ 3,445,570</u>	<u>\$ 28,692</u>	<u>(6,329,805)</u>	<u>344,542</u>	<u>(5,985,263)</u>
General revenues:						
Intergovernmental taxes				5,814,633	-	5,814,633
Property taxes				849,778	-	849,778
Interest income				8,122	650	8,772
Other income				<u>35,269</u>	<u>16,291</u>	<u>51,560</u>
Total general revenues				<u>6,707,802</u>	<u>16,941</u>	<u>6,724,743</u>
Change in net assets				377,997	361,483	739,480
Net Assets -- Beginning				<u>11,477,566</u>	<u>1,787,210</u>	<u>13,264,776</u>
Net Assets - Ending				<u>\$11,855,563</u>	<u>\$ 2,148,693</u>	<u>\$14,004,256</u>

The accompanying notes are an integral part of the financial statements

City of Lincoln, Illinois
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2012

Statement 3

	Assets	General Corporate	Motor Fuel	Debt Service	Liability Insurance	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents.....		\$ 1,453,779	\$ 767,510	\$ 249,585	\$ -	\$ 618,339	\$ 3,089,213
Taxes receivable		1,074,800	-	181,200	126,800	359,200	1,742,000
Due from other governments.....		1,549,941	28,158	-	-	-	1,578,099
Accounts receivable.....		-	-	-	-	-	-
Due from other funds.....		-	-	168,957	-	4,248	173,205
TOTAL ASSETS		<u>\$4,078,520</u>	<u>\$ 795,668</u>	<u>\$ 599,742</u>	<u>\$ 126,800</u>	<u>\$ 981,787</u>	<u>\$6,582,517</u>
LIABILITIES							
Accounts payable.....		\$ 40,842	\$ 5,396	\$ -	\$ -	\$ -	\$ 46,238
Deferred revenue		1,117,250	-	181,200	126,800	359,200	1,784,450
Due to other funds		-	-	-	168,957	4,248	173,205
Total Liabilities.....		<u>1,158,092</u>	<u>5,396</u>	<u>181,200</u>	<u>295,757</u>	<u>363,448</u>	<u>2,003,893</u>
FUND BALANCES							
Restricted for:							
Debt service		-	-	418,542	-	-	418,542
Special projects		-	790,272	-	(168,957)	115,536	736,851
Unassigned:							
General fund.....		2,920,428	-	-	-	502,803	2,920,428
Special revenue fund.....		-	-	-	-	-	502,803
Total Fund Balances		<u>2,920,428</u>	<u>790,272</u>	<u>418,542</u>	<u>(168,957)</u>	<u>618,339</u>	<u>4,578,624</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$4,078,520</u>	<u>\$ 795,668</u>	<u>\$ 599,742</u>	<u>\$ 126,800</u>	<u>\$ 981,787</u>	<u>\$6,582,517</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 April 30, 2012

Total Fund Balances – Total Governmental Funds	\$ 4,578,624
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term debt reported in governmental activities	(635,366)
Capital assets of \$16,772,245 net of accumulated depreciation of \$8,859,940 are not financial resources and, therefore, are not reported in the funds.	<u>7,912,305</u>
Net assets of governmental activities	<u>\$11,855,563</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended April 30, 2012

	General Corporate	Motor Fuel	Debt Service	Liability Insurance	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property taxes	\$ 194,845	-	\$ 184,083	\$ 125,492	\$ 345,358	\$ 849,778
Intergovernmental taxes	5,357,063	428,194	-	-	29,376	5,814,633
Interest income	4,639	1,991	-	63	1,429	8,122
Charges for services	224,481	-	-	-	174,918	399,399
Fines and forfeitures	116,802	-	-	-	-	116,802
Licenses and permits	93,085	-	-	-	-	93,085
Miscellaneous	35,269	-	-	-	-	35,269
Total Revenues	<u>6,026,184</u>	<u>430,185</u>	<u>184,083</u>	<u>125,555</u>	<u>551,081</u>	<u>7,317,088</u>
EXPENDITURES:						
Current:						
General Government	913,056	-	1,000	354,740	262,868	1,531,664
Public safety	3,299,345	-	10,145	-	11,648	3,321,138
Public Works	844,269	560,523	-	-	115,185	1,519,977
Debt service:						
Principal	38,259	-	237,000	-	-	275,259
Interest	4,467	-	35,846	-	-	40,313
Capital outlay	281,823	-	42,530	-	-	324,353
Total Expenditures	<u>5,381,219</u>	<u>560,523</u>	<u>326,521</u>	<u>354,740</u>	<u>389,701</u>	<u>7,012,704</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>644,965</u>	<u>(130,338)</u>	<u>(142,438)</u>	<u>(229,185)</u>	<u>161,380</u>	<u>304,384</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	42,726	-	97,161	100,000	34,000	273,887
Operating transfers (out)	(231,161)	-	(42,726)	-	-	(273,887)
Grant proceeds	-	28,692	-	-	-	28,692
Total Other Financing Sources (Uses)	<u>(188,435)</u>	<u>28,692</u>	<u>54,435</u>	<u>100,000</u>	<u>34,000</u>	<u>28,692</u>
NET CHANGE IN FUND BALANCES	<u>456,530</u>	<u>(101,646)</u>	<u>(88,003)</u>	<u>(129,185)</u>	<u>195,380</u>	<u>333,076</u>
FUND BALANCES – BEGINNING	<u>2,463,898</u>	<u>891,918</u>	<u>506,545</u>	<u>(39,772)</u>	<u>422,959</u>	<u>4,245,548</u>
FUND BALANCES – ENDING	<u>\$2,920,428</u>	<u>\$ 790,272</u>	<u>\$ 418,542</u>	<u>(\$ 168,957)</u>	<u>\$ 618,339</u>	<u>\$4,578,624</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
April 30, 2012

Net change in fund balances – Total Governmental Funds.....	\$ 333,076
Amounts reported for governmental activities in the statement of activities are different because:	
Long term debt payments.....	275,259
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$324,353 was less than depreciation of \$554,691 in the current period.	(<u>230,338</u>)
Change in net assets of governmental activities	\$ <u>377,997</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2012 and 2011

Statement 5

	<u>Current Year Total</u>	<u>Prior Year 2011</u>
<u>Assets</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 366,751	\$ 285,893
Accounts receivable	537,348	515,422
Due from other funds	<u>877,387</u>	<u>721,194</u>
Total Current Assets	<u>1,781,486</u>	<u>1,522,509</u>
CAPITAL ASSETS		
Sewerage system	14,845,742	14,586,754
Less: Accumulated depreciation	(<u>7,020,135</u>)	(<u>6,564,197</u>)
Net Capital Assets	<u>7,825,607</u>	<u>8,022,557</u>
TOTAL ASSETS	<u>9,607,093</u>	<u>9,545,066</u>
<u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Accounts payable	37,201	41,974
Deferred income	14,720	-
Notes and bonds payable – current portion	477,639	465,596
Due to other funds	<u>877,387</u>	<u>721,194</u>
Total Current Liabilities	<u>1,406,947</u>	<u>1,228,764</u>
LONG-TERM LIABILITIES		
Notes and bonds payable (less current portion)	<u>6,051,453</u>	<u>6,529,092</u>
TOTAL LIABILITIES	<u>7,458,400</u>	<u>7,757,856</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,296,515	1,027,869
Restricted	993,892	994,592
Unrestricted	(<u>141,714</u>)	(<u>235,251</u>)
TOTAL NET ASSETS	<u>\$ 2,148,693</u>	<u>\$ 1,787,210</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
**STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 PROPRIETARY FUNDS**
 For the Years Ended April 30, 2012 and 2011

Statement 6

	<u>Current Year Total</u>	<u>Prior Year 2011</u>
OPERATING REVENUES		
Charges for services	\$2,836,284	\$2,674,567
Other income	<u>16,291</u>	<u>258,508</u>
 Total Operating Revenues	 <u>2,852,575</u>	 <u>2,933,075</u>
OPERATING EXPENSES		
Personnel service	70,555	74,190
Contractual maintenance	1,368,865	1,335,608
Supplies and materials	8,116	33,049
Other fees and charges	23,492	23,429
Depreciation	455,938	465,119
Repairs and maintenance	93,339	46,542
Office supplies	3,243	4,000
Professional fees	(3)	1,862
Postage	9,543	8,615
Telephone	769	911
Insurance	28,203	26,072
Facility utilities	<u>252,891</u>	<u>328,897</u>
 Total Operating Expenses	 <u>2,314,951</u>	 <u>2,348,294</u>
 Net Operating Income	 <u>537,624</u>	 <u>584,781</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	650	614
Interest (expense)	(176,791)	(188,530)
Operating transfers in	799,087	784,387
Operating transfers (out)	(799,087)	(784,387)
 Total nonoperating revenues (expenses)	 (176,141)	 (187,916)
NET CHANGE IN NET ASSETS	361,483	396,865
NET ASSETS - BEGINNING	<u>1,787,210</u>	<u>1,390,345</u>
NET ASSETS - ENDING	<u>\$2,148,693</u>	<u>\$1,787,210</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Years Ended April 30, 2012 and 2011

Statement 7

	<u>Current Year Total</u>	<u>Prior Year 2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from customers	\$2,814,358	\$2,690,984
Other income	16,291	258,508
Payments for personnel services	(70,555)	(74,190)
Payments for goods and services	(<u>1,778,511</u>)	(<u>1,799,189</u>)
Net cash provided by operating activities	<u>981,583</u>	<u>1,076,113</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in	799,087	784,387
Operating transfers (out)	(<u>799,087</u>)	(<u>784,387</u>)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(258,988)	(756,359)
Principal paid on bonds	(465,596)	(453,857)
Interest paid on bonds	(<u>176,791</u>)	(<u>188,530</u>)
Net cash (used for) capital and related financing activities	(<u>901,375</u>)	(<u>1,398,746</u>)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>650</u>	<u>614</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	80,858	(322,019)
CASH AND CASH EQUIVALENTS – BEGINNING	<u>285,893</u>	<u>607,912</u>
CASH AND CASH EQUIVALENTS – ENDING	\$ <u>366,751</u>	\$ <u>285,893</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 537,624	\$ 584,781
Adjustment to reconcile operating income to cash provided by operating activities:		
Depreciation	455,938	465,119
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(21,926)	16,417
Increase (decrease) in accounts payable	(4,773)	9,796
Increase in deferred income	<u>14,720</u>	<u>-</u>
Net cash provided by operating activities	\$ <u>981,583</u>	\$ <u>1,076,113</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2012

Statement 8

<u>Assets</u>	<u>Pension Trust Funds</u>		<u>Total</u>
	<u>Police Pension</u>	<u>Firefighters' Pension</u>	
Cash and cash equivalents.....	\$1,410,461	\$ 107,230	\$ 1,517,691
Investments.....	7,652,614	5,821,700	13,474,314
Accrued interest receivable	-	10,090	10,090
TOTAL ASSETS.....	<u>\$9,063,075</u>	<u>\$5,939,020</u>	<u>\$15,002,095</u>
 <u>Liabilities and Net Assets</u>			
LIABILITIES	\$ -	\$ -	\$ -
NET ASSETS			
Reserved for employee retirement commitments.....	<u>9,063,075</u>	<u>5,939,020</u>	<u>15,002,095</u>
TOTAL LIABILITIES AND FUND BALANCE.....	<u>\$9,063,075</u>	<u>\$5,939,020</u>	<u>\$15,002,095</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2012

Statement 9

	<u>Pension Trust Funds</u>		
	<u>Police</u>	<u>Firefighters'</u>	
	<u>Pension</u>	<u>Pension</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Employer – property taxes.....	\$ 422,816	\$ 377,044	\$ 799,860
Employer – replacement taxes.....	50,342	44,928	95,270
Employee	134,452	92,488	226,940
Investment income	127,365	60,896	188,261
Unrealized gain on investments.....	(66,313)	(34,627)	(100,940)
Total Additions	<u>668,662</u>	<u>540,729</u>	<u>1,209,391</u>
DEDUCTIONS			
Benefit payments.....	976,103	981,223	1,957,326
Administrative expenses	<u>14,095</u>	<u>15,259</u>	<u>29,354</u>
Total Deductions.....	<u>990,198</u>	<u>996,482</u>	<u>1,986,680</u>
NET (DECREASE).....	(321,536)	(455,753)	(777,289)
NET ASSETS HELD IN TRUST FOR PENSION			
BENEFITS – BEGINNING OF YEAR.....	<u>9,384,611</u>	<u>6,394,773</u>	<u>15,779,384</u>
NET ASSETS HELD IN TRUST FOR			
PENSION BENEFITS – END OF YEAR.....	<u>\$9,063,075</u>	<u>\$5,939,020</u>	<u>\$15,002,095</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. – General Statement

The City of Lincoln, Illinois (the "City") was incorporated on February 16, 1865. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: general government, public safety and public works.

The accounting and reporting policies of the City relating to the funds and account group included in the financial statements conform to generally accounting principles applicable to state and local governments except that the information on the actuarial data and other disclosures required for the pension trust funds has been excluded. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds, the City has chosen to apply all GASB pronouncements to its proprietary activities, and has chosen to apply the pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 to its proprietary activities.

B. – Financial Reporting Entity

The financial reporting entity includes its governing board and all related organizations for which the City exercises oversight responsibility.

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the City exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of and special financing relationships.

The City has determined that no other outside agency meets the above criteria. In addition, the City is not aware of any entity which would exercise such oversight on it in a manner in which the City would be considered its component unit.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not property included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. – Financial Reporting Entity, (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned. Expenditures generally are recorded when a liability is incurred.

Grants, entitlements, interest and all other revenue items are considered measurable and available only when earned by the City.

C. – Fund Accounting

The accounts of the City are organized on the basis of funds or accounts groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types and broad fund categories. The following fund types and account groups are used by the City:

Government Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds.

General Corporate Fund

The General Corporate Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It includes general administration as well as the Special Fire Department, Police Task Force, DARE, Drug Forfeiture, DUI, and ERT Programs.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

C. – Fund Accounting, (Continued)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are maintained by the City:

The Emergency Services Disaster Agency Fund receives and expends the City's tax collections for the purpose of operating and maintaining an emergency services and disaster function.

The Forestry Fund receives taxes levied to provide for the establishment and maintenance of a long-term forestry program for the propagation and preservation of community trees and for the removal of dead or diseased trees in the City.

The Motor Fuel Tax Fund receives and expends the City's allocations of the highway user revenue money. The amount available is allocated on a population basis, which is determined by the latest federal census. Money allocated to this fund must be used for street construction, reconstruction, and maintenance.

The Municipal Retirement Fund receives taxes levied for the payment of municipal retirement and social security benefits for all qualified employees of the City.

The Public Benefits Fund receives taxes levied for the purpose of paying that portion of the amounts assessed against the City for public benefit.

The Liability Insurance Fund receives taxes levied for the purpose of paying City insurance premiums.

The Crossing Guards Fund receives taxes levied for the purpose of providing school crossing guards.

The Audit Fund receives taxes levied for the purpose of paying the cost of the annual audit.

The Revolving Loan Fund accounts for the Community Block Grant the City received. The Grant is to be used for the purpose of providing financial assistance to local businesses as approved by the Illinois Department of Commerce and Economic Opportunity.

The Equipment Rental Fund provides services to all funds on a fee basis.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

C. – Fund Accounting, (Continued)

Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Project Fund is used to account for the accumulation of resources for, and payment of, construction projects other than those for proprietary fund construction.

Proprietary Fund Types

Enterprise Fund

The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to that of private business enterprises, where the intent of the governing body is that the costs of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Grants and interest income are considered as non-operating revenues for proprietary funds.

The Sewer Operations and Maintenance Fund accounts for the operation of the sewer system for the City.

The Contingency and Depreciation Fund is required to accumulate money for replacements and repairs to the system as may be necessary for the continued effective and efficient operation of the system.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following Fiduciary Funds are maintained by the City:

The Police Pension Fund receives contributions for participants of the plan from the City as well as the pension fund participants currently employed by the City. The fund accounts for the assets held in trust to be used for payment or retirement benefits.

The Firefighters' Pension Fund receives contributions for participants of the plan from the City as well as the pension fund participants currently employed by the City. The fund accounts for the assets held in trust to be used for payment or retirement benefits.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

C. – Fund Accounting, (Continued)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the City receives value without directly giving value in return, include grants and donations. On the accrual basis, revenue from grants and donations is recognized when received and eligibility requirements have been satisfied.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Transfers In: by the recipient fund, and "Transfers Out" by the disbursing fund.

On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivable/payables." These amounts are eliminated on the statement of net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows for proprietary and similar fund types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Separate bank accounts are not maintained for all City funds instead, certain funds maintain their uninvested cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City maintains a capitalization threshold of \$2,500. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is computed on the straight line basis over a period of from 5 to 40 years based on asset class.

Compensated Absences

The City does not record compensatory time for sick and vacation time.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded when earned by the City.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

C. – Fund Accounting, (Continued)

Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net assets – Consist of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

It is the City’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements:

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Council through approval of resolutions. Committed fund balance can be assigned for other uses only by similar action of the City Council. Assigned fund balances is a limitation imposed by a designee of the City Council. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

Proprietary fund net assets are classified the same as in the government-wide statements.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the city that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America that requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

D. – Budgets And Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April each year, the Finance Committee of the City Council submits to the City Council a proposed operating budget for the fiscal year commencing that May 1.
2. A copy of the proposed budget is placed on file with the City Clerk and a date for public hearings is announced.
3. The budget is passed by City Council.
4. The appropriation is legally enacted through the passage of an ordinance.
5. After adoption of the appropriation, further appropriations are prohibited. Transfers from one appropriation of any fund to another appropriation of the same fund, not affecting the total amount appropriated, may be made subject to City Council approval.
6. Formal budgetary integration is employed as management control device during the year for the General Fund, the Special Revenue Funds, and the Debt Service Fund.
7. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a cash basis, which differs from the basis used for the financial statements. Budgeted amounts shown in the financial statements have been adjusted to reflect appropriation transfers between certain expenditure categories during the year; as a result, the final budget presented differs from that which was originally adopted.

E. – Investments

Per Chapter 30, Act 235, Section 2 of the Illinois Compiled Statutes, the City of Lincoln may invest any public funds (1) in bonds, notes, certificates of indebtedness, treasury bills, or other securities issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest, or (2) in bonds, notes, debentures, or other obligations of the United States of America or its agencies, or (3) in interest-bearing savings accounts, certificates of deposit or time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, or (4) in certain short-term obligations of corporations organized in the United States limited to the terms set forth in Chapter 30, Act 235, Section 2 of the Illinois Compiled Statutes, or (5) in money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in Chapter 30, Act 235, Section 2 of the Illinois compiled Statutes. Investments may be made only in banks insured by the Federal Deposit Insurance corporation (FDIC), savings and loan associations insured by the Federal Savings and Loan Insurance corporation, or credit unions chartered under the laws of this state or the laws of the United States, provided the principal office of such credit union is located within the State of Illinois and the accounts re insured. The City follows the same investment policy for the pension trust funds. Investment balances, consisting of U.S. Treasury Notes and Bills, are stated at fair value. Assets of the different funds are commingled for investment purposes, where permitted, and investment earnings are prorated back to various funds when recognized as revenues.

F. – Transaction Between funds

Transactions that would be treated as revenue, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenue, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

G. – Funds Servicing Long-Term Debt

The enterprise fund accounts for and services the applicable bonds and notes payable which benefits that fund.

H. – Cash Flows

For purposes of the Statement of Cash Flows, the City considers all time deposits with a maturity of less than three months as cash and cash equivalents.

NOTE 2 – CUSTODIAL CREDIT RISK OF BANK DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$-0- of bank balances (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The total amount of bank deposits (certificates of deposit, checking, and savings accounts) insured at year end was \$3,702,368. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. These amounts do not include Pension Trust Funds.

NOTE 3 – FUND EQUITY RESERVES

The City records reserves to indicate that a portion of fund equity is legally segregated for a specific future use. The City has established the following reserves:

Retained Earnings:

Enterprise Fund:

Reserved for Contingency and Depreciation – Resources restricted for extraordinary repairs and replacements to the sewer system	\$ <u>993,892</u>
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Fund Balance:

General Corporate Fund:

Reserved for Public Service Programs – Resources restricted for the operation of Special Fire Department, Police Task Force, D.A.R.E., Drug Forfeiture, DUI, and ERT	\$ 52,971
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Reserved for other programs	<u>1,168,199</u>
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General Corporate Fund Reservations	<u>1,221,170</u>
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Special Revenue Funds:

Reserved for Revolving Loan, Emergency Services, Forestry, Motor Fuel Tax, IMRF, Public Benefits, Capital Projects, Crossing Guards, Audits	<u>981,789</u>
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City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 3 – FUND EQUITY RESERVES, (CONTINUED)

Liability Insurance Fund:	
Reserved for insurance payments	\$ _____ -
Debt Service Fund:	
Reserved for repayment of long-term debt principal and interest	<u>418,542</u>
Total Fund Balance	<u>\$2,621,501</u>

NOTE 4 – CHANGES IN CAPITAL ASSETS

<u>General Capital Assets</u>	<u>May 1, 2011</u>	<u>Additions</u>	<u>Dispositions</u>	<u>April 30, 2012</u>
Building and improvements	\$ 8,133,775	\$ -	\$ -	\$ 8,133,775
Vehicles	3,660,181	83,730	-	3,743,911
Equipment	793,713	-	-	793,713
Streets	3,860,223	229,279	-	4,089,502
Land	<u>-</u>	<u>11,344</u>	<u>-</u>	<u>11,344</u>
Cost	16,447,892	324,353	-	16,772,245
Less Accumulated Depreciation	(<u>8,305,249</u>)	(<u>554,691</u>)	<u>-</u>	(<u>8,859,940</u>)
Total	<u>\$ 8,142,643</u>	(<u>\$ 230,338</u>)	<u>\$ -</u>	<u>\$ 7,912,305</u>

Depreciation expense for the current year is \$554,691.

<u>Proprietary Capital Assets</u>	<u>May 1, 2011</u>	<u>Additions</u>	<u>Dispositions</u>	<u>April 30, 2012</u>
Utility system	\$ 1,706,213	\$ 91,082	\$ -	\$ 1,797,295
Building and improvements	7,196,055	37,833	-	7,233,888
Equipment	5,024,079	130,073	-	5,154,152
Vehicles	<u>660,407</u>	<u>-</u>	<u>-</u>	<u>660,407</u>
Cost	14,586,754	258,988	-	14,845,742
Less Accumulated Depreciation	(<u>6,564,197</u>)	(<u>455,938</u>)	<u>-</u>	(<u>7,020,135</u>)
Total	<u>\$ 8,022,557</u>	(<u>\$ 196,950</u>)	<u>\$ -</u>	<u>\$ 7,825,607</u>

Depreciation expense for the current year is \$455,938.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2012

NOTE 5 – LONG-TERM DEBT

The following is a summary of the long-term debt transactions of the City for the year ended April 30, 2012:

	<u>May 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>April 30, 2012</u>
Governmental Funds:				
General Obligation Bonds	\$ 500,000	\$ -	(\$ 155,000)	\$ 345,000
Alternative Revenue Bonds	175,000	-	(55,000)	120,000
Debt Certificates	116,500	-	(27,000)	89,500
Note Payable	<u>119,125</u>	<u>-</u>	<u>(38,259)</u>	<u>80,866</u>
	<u>\$ 910,625</u>	<u>\$ -</u>	<u>(\$ 275,259)</u>	<u>\$ 635,366</u>
Enterprise Funds:				
Notes payable	<u>\$ 6,994,688</u>	<u>\$ -</u>	<u>(\$ 465,596)</u>	<u>\$ 6,529,092</u>

Bonds payable at April 30, 2012 is comprised of the following:

Alternative Revenue Bonds – The City issued on February 1, 2004 alternative revenue bonds in the amount of \$510,000. The repayment schedule is as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Fiscal Total</u>
06/01/2012			\$ 3,000	
12/01/2012	\$ 60,000	4.90%	\$ 3,000	\$ 66,000
06/01/2013			\$ 1,530	
12/01/2013	<u>\$ 60,000</u>	5.10%	<u>\$ 1,530</u>	<u>\$ 63,060</u>
Totals	<u>\$120,000</u>		<u>\$ 9,060</u>	<u>\$129,060</u>

General Obligation Bonds – The City issued bonds on December 1, 2010 for \$500,000. The repayment schedule is as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Fiscal Total</u>
06/01/2012			\$ 7,376	
12/01/2012	\$170,000	4.20%	\$ 7,376	\$184,752
06/01/2013			\$ 3,806	
12/01/2013	<u>\$175,000</u>	4.35%	<u>\$ 3,807</u>	<u>\$182,613</u>
Totals	<u>\$345,000</u>		<u>\$ 22,365</u>	<u>\$367,365</u>

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 5 – LONG-TERM DEBT, (CONTINUED)

Note Payable – On June 3, 2009, the City took out a loan for roof repairs from the State Bank of Lincoln for \$156,000. The loan is due June 3, 2013 and bears an interest rate of 3.75%. The repayment schedule is as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Fiscal Total</u>
06/03/2012	\$ 39,694	3.75%	\$ 3,032	\$ 42,726
06/03/2013	<u>41,172</u>	3.75%	<u>1,555</u>	<u>42,727</u>
Totals	\$ <u>80,866</u>		\$ <u>4,587</u>	\$ <u>85,453</u>

Notes payable at April 30, 2012, is comprised of the following:

A note payable to Illinois Environmental Protection Agency as part of the Illinois State Revolving Fund was received in 2004. The repayment schedule is as follows:

<u>Due Date</u>	<u>Repayment</u>	<u>Interest</u>	<u>Principal</u>
01/31/2012	\$ 321,194	\$ 86,910	\$ 234,284
07/31/2012	321,194	83,899	237,295
01/31/2013	321,194	80,850	240,344
07/31/2013	321,194	77,762	243,432
01/31/2014	321,194	74,633	246,561
07/31/2014	321,194	71,465	249,729
01/31/2015	321,194	68,256	252,938
07/31/2015	321,194	65,006	256,188
01/31/2016	321,194	61,714	259,480
07/31/2016	321,194	58,380	262,814
01/31/2017	321,194	55,002	266,192
07/31/2017	321,194	51,582	269,612
01/31/2018	321,194	48,117	273,077
07/31/2018	321,194	44,608	276,586
01/31/2019	321,194	41,054	280,140
07/31/2019	321,194	37,454	283,740
01/31/2020	321,194	33,808	287,386
07/31/2020	321,194	30,115	291,079
01/31/2021	321,194	26,375	294,819
07/31/2021	321,194	22,587	298,607
01/31/2022	321,194	18,750	302,444
07/31/2022	321,194	14,863	306,331
01/31/2023	321,194	10,927	310,267
07/31/2023	321,194	6,940	314,254
01/31/2024	<u>228,679</u>	<u>2,902</u>	<u>225,777</u>
	\$ <u>7,937,335</u>	\$ <u>1,173,959</u>	\$ <u>6,763,376</u>

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 5 – LONG-TERM DEBT, (CONTINUED)

Debt Certificates

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Fiscal Total</u>
05/01/2012	\$ 14,000	5.42%	\$ 2,509	\$ 16,509
11/01/2012	14,500	5.42%	2,129	16,629
05/01/2013	14,500	5.60%	1,737	16,237
11/01/2013	15,000	5.60%	1,330	16,330
05/01/2014	15,500	5.78%	910	16,410
11/01/2014	<u>16,000</u>	5.78%	<u>462</u>	<u>16,462</u>
	<u>\$ 89,500</u>		<u>\$ 9,077</u>	<u>\$ 98,577</u>

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Plan Description. The City of Lincoln's (City) defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, the City's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's contribution rate for calendar year 2011 used by the City was 20.82 percent of annual covered payroll. The City annual required contribution rate for calendar year 2011 was 22.04 percent. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For calendar year ending December 31, 2011, the City's actual contributions for pension cost for the Regular were \$144,104. Its required contribution for calendar year 2011 was \$152,548. (If you made an additional payment toward your unfunded amount, add this payment to your actual contributions and recalculate the percentage of APC contributed).

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2012

NOTE 6 – DEFINED BENEFIT PENSION PLAN, (CONTINUED)

MULTI-YEAR TREND INFORMATION FOR THE REGULAR PLAN

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/11	152,548	94%	\$0 *
12/31/10	182,504	79%	0
12/31/09	130,653	100%	0

* If you utilized the phase-in contribution rate, the net pension obligation will have to be calculated.

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Regular plan was 47.85 percent funded. The actuarial accrued liability for benefits was \$2,854,698 and the actuarial value of assets was \$1,365,875, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,488,823. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$692,142 and the ratio of the UAAL to the covered payroll was 215 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets in increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 7 – DEFINED BENEFIT PENSION PLAN – SHERIFF'S LAW ENFORCEMENT PERSONNEL

Plan Description. The City's defined benefit pension plan for Sheriff's Law Enforcement Personnel employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at on-line at www.imrf.org.

Funding Policy. As set by statute, the City's Sheriff's Law Enforcement Personnel plan members are required to contribute 7.50 percent of their annual covered salary. The statute requires the City to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

**NOTE 7 – DEFINED BENEFIT PENSION PLAN – SHERIFF'S LAW ENFORCEMENT PERSONNEL
(CONTINUED)**

contribution rate for calendar year 2011 used by the employer was 0.00 percent of annual covered payroll. The City annual required contribution rate for calendar year 2011 was 12.88 percent. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For calendar year ending December 31, 2011, the City's actual contributions for pension cost for the Sheriff's Law Enforcement Personnel plan were \$0. Its required contribution for calendar year 2011 was \$0. (If you made an additional payment toward your unfunded amount, add this payment to your actual contributions and recalculate the percentage of APC contributed).

Three-Year Trend Information for the Sheriff's Law Enforcement Personnel Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/11	0	***%	\$0 *
12/31/10	0	***%	0
12/31/09	0	100%	0

* If you utilized the phase-in contribution rate, the net pension obligation will have to be calculated.

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of your City Sheriff's Law Enforcement Personnel plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City Sheriff's Law Enforcement Personnel plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Sheriff's Law Enforcement Personnel plan was 99.91 percent funded. The actuarial accrued liability for benefits was \$60,241 and the actuarial value of assets was \$60,184, resulting in an underfunded actuarial accrued liability (UAAL) of \$57. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$0 and the ratio of the UAAL to the covered payroll was 0 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 8 – POLICE PENSION FUND

The Police Pension fund is a single employer defined benefit pension plan to provide retirement, death and disability benefits to policemen and their dependents.

The Police Pension fund covers all "policemen" who:

- (a) Are appointed to the police force and sworn and commissioned to perform police duties;
- (b) are found upon examination of a duly licensed physician selected by the Police Pension board to be physically and mentally fit to perform duties of a policeman; and
- (c) Within 3 months after receiving his/her first appointment, and if reappointed, within 3 months thereafter, makes written application to the Board to qualify under Chapter 108 ½, Article 3, of the Illinois Revised Statutes.

The Pension is funded by the City's (employer) contribution which is obtained through an annual levy of tax upon all the property of the City and deductions from salaries and wages of participating policemen (employee contribution). The Illinois Division of Insurance has annually provided the actuarial report and/or proposed levy requests for the City.

Total pension contributions for the year ended April 30, 2012 were \$607,610 including City contributions of \$473,158. The City had accumulated assets of \$9,063,075 on that same date.

NOTE 9 – FIREFIGHTERS' PENSION FUND

The Firefighters' Pension Fund is a single employer defined benefit pension plan to provide retirement, death and disability benefits to firemen and their dependents.

The Firefighters' Pension Fund covers all "firemen" who:

- (a) were appointed as a fireman prior to May 16, 1970; or;
- (b)
 - (1) have attained the age of 18 but not reached age 35 at the time of appointment; and
 - (2) with 3 months after receiving appointment and with 3 months after any reappointment, made written application to the firemen's Pension Board to qualify under Chapter 108 ½, Article 3, of the Illinois Revised Statutes.
 - (3) were found upon medical examination to be then physically and mentally fit to perform the duties of a fireman.

The Pension is funded by the City's (Employer) contribution which is obtained through an annual levy of tax upon all the property of the City and deductions from salaries and wages of participating firemen (employee contribution). The Illinois Division of Insurance has annually provided the actuarial report and/or proposed levy requests for the City.

Total pension contributions for the year ended April 30, 2012 were \$514,460 including City contributions of \$42,972. The City had accumulated assets of \$5,939,020 on that same date.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 10 – POST-RETIREMENT BENEFITS

The City provides certain post-retirement benefits to retired full-time employees meeting the following requirements. The City pays 50% of the employee-only portion of health insurance for newly retired fulltime employees who have reached age 55 and have 20 years of service with the City. Any member having 20 years of service who has not reached age 55 upon retirement shall pay the health insurance premium until attaining age 55, at which time the City will pay 50% of the premium. These benefits are provided to employees for life and are based on benefit costs incurred during the fiscal year, or on the pay-as-you-go method.

NOTE 11 – DEFERRED COMPENSATION PAYABLE

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Nationwide Retirement Solution, Inc. and VALIC. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefits of participants and other beneficiaries. As a result, the deferred compensation investments are not reported in the City's financial statements as an agency fund.

NOTE 12 – INSURANCE AND RISK MANAGEMENT

The City is self-insured for unemployment compensation. The City reimburses the State for unemployment compensation claims paid to former employees.

The City is also exposed to various risks including but not limited to losses from workers' compensation, general liability and property damage. Such risks are managed through the purchase of insurance contracts.

Payments are made from the Liability Insurance fund to provide the payment of workers' compensation insurance, liability insurance and auto insurance.

Net insurance-related costs incurred for the year ended April 30, 2012 were \$354,740.

NOTE 13 – PROPERTY TAXES

Property taxes attach as an enforceable lien on real property as of January 1 in the year in which the taxes are levied. The County bills and collects taxes for County taxing bodies. The taxes are generally payable in two installments on June 1 and September 1. Property taxes are received monthly beginning in July and generally ending in November.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2012

NOTE 14 – INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the combined financial statements, of certain information concerning individual funds.

For the year ended April 30, 2012 excesses of expenditures over budget in individual funds were as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Liability Insurance Fund	\$126,000	\$185,783	\$ 59,783
Debt Service	\$323,110	\$369,247	\$ 46,137

NOTE 15 – DEFICIT FUND BALANCES

The following fund had a deficit fund balance at April 30, 2012:

	<u>Deficit</u>
Liability Insurance Fund	(\$168,957)

NOTE 16 – COMMITMENTS AND CONTINGENCIES

As of April 30, 2012, the City has matters of pending litigation which are being handled by the City's liability insurance carrier through legal counsel designated by them. In addition, there are also pending workman's compensation claims against the City, all of which are being handled by the City's workman's compensation insurance carrier or legal counsel designated by them.

Pursuant to the four collective bargaining agreements the City has with various bargaining units, the City does have an ongoing responsibility to provide individual health insurance coverage to retired members. The liability of these post-retirement benefits has not been determined at this time.

City of Lincoln, Illinois
SCHEDULE OF FUNDING PROGRESS
 Required Supplemental Information
 Employer Number: 03364R
 Regular Plan

Schedule 1

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (ALL) ---Entry Age (b)</u>	<u>ALL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/11	1,365,875	2,854,698	1,488,823	47.85	692,142	215.10%
12/31/10	1,494,582	2,809,256	1,314,674	53.20%	717,390	183.26%
12/31/09	1,691,473	2,716,156	1,024,683	62.27%	696,076	147.21%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$1,182,452. On a market basis, the funded ratio would be 41.42%.

City of Lincoln, Illinois
SCHEDULE OF FUNDING PROGRESS –
 Required Supplemental Information
 Employer Number: 03364R
 Sheriff's Law Enforcement Personnel

Schedule 2

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (ALL) ---Entry Age (b)</u>	<u>ALL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/11	60,184	60,241	57	99.91	0	0.00%
12/31/10	57,793	52,620	(5,173)	109.83	0	N/A
12/31/09	55,080	46,857	(8,223)	117.55	0	N/A

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$58,453. On a market basis, the funded ratio would be 97.03%.

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Years Ended April 30, 2012 and 2011

Schedule 3

	Original/Final Budgeted Amounts	Current Year Actual	Prior Year Actual
Beginning Budgetary Fund Balances	\$ -	\$2,463,898	\$2,997,493
RESOURCES (INFLOWS):			
Taxes:			
Property taxes.....	199,900	194,845	193,754
Income and use taxes	1,200,000	1,123,773	1,189,362
Sales taxes	3,375,000	3,583,203	3,244,688
Telecommunications tax.....	40,000	422,019	419,655
Replacement taxes	185,000	138,118	173,760
Road and bridge taxes.....	72,500	75,236	72,704
Fire tax	-	14,714	16,078
Total taxes	<u>5,072,400</u>	<u>5,551,908</u>	<u>5,310,001</u>
Charges For Services:			
Franchise fees.....		175,924	171,900
Fire protection reimbursement.....		-	5,107
Administrative fees		45,000	10,000
Birth and death certificates		3,557	4,678
Licenses and Permits.....		<u>93,085</u>	<u>86,235</u>
Total charges for services.....	<u>380,000</u>	<u>317,566</u>	<u>277,920</u>
Fines and Forfeitures:			
Traffic fines.....		85,336	85,286
Other fines.....		<u>31,466</u>	<u>24,313</u>
Total fines and forfeitures	<u>120,000</u>	<u>116,802</u>	<u>109,599</u>
Miscellaneous:			
Miscellaneous.....	2,300	12,822	2,209
Donations	-	14,182	24,680
Restitution	-	<u>8,266</u>	<u>33,150</u>
Total Miscellaneous	<u>2,300</u>	<u>35,270</u>	<u>60,039</u>
Interest Income.....	<u>10,000</u>	<u>4,639</u>	<u>4,423</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Years Ended April 30, 2012 and 2011

Schedule 3

	<u>Original/Final Budgeted Amounts</u>	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
Other Financing Sources:			
Grant Proceeds	\$ -	\$ -	\$ 39,506
Transfer from Debt Service Fund	<u>-</u>	<u>42,726</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>42,726</u>	<u>39,506</u>
Total Resources (Inflows)	<u>5,584,700</u>	<u>6,068,911</u>	<u>5,801,488</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS	<u>\$5,584,700</u>	<u>8,532,809</u>	<u>8,798,981</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
PUBLIC SAFETY:			
Fire Department:			
Personnel services	\$1,333,100	1,266,396	1,299,860
Supplies	29,650	42,792	39,054
Repairs and maintenance	40,500	49,602	37,316
Contractual services	950	1,278	272
Other services and charges	26,600	36,467	36,993
Capital outlay	<u>26,500</u>	<u>64,787</u>	<u>46,899</u>
Total Fire Department	<u>1,457,300</u>	<u>1,461,322</u>	<u>1,460,394</u>
Police Department:			
Personnel services	1,804,854	1,694,417	1,655,314
Supplies	77,250	94,036	99,348
Repairs and maintenance	23,500	25,086	42,852
Contractual services	17,200	24,192	13,447
Other services and charges	22,750	41,492	57,251
Capital outlay	<u>36,000</u>	<u>-</u>	<u>-</u>
Total Police Department	<u>1,981,554</u>	<u>1,879,223</u>	<u>1,868,212</u>
TOTAL PUBLIC SAFETY	<u>3,438,854</u>	<u>3,340,545</u>	<u>3,328,606</u>
PUBLIC WORKS:			
Zoning:			
Personnel services	81,166	72,797	73,320
Supplies	2,700	1,921	3,667
Repairs and maintenance	600	-	402
Contractual services	346	-	-
Other services and charges	9,230	8,447	7,808
Capital outlay	<u>1,150</u>	<u>-</u>	<u>-</u>
Total Zoning	<u>95,192</u>	<u>83,165</u>	<u>85,197</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Years Ended April 30, 2012 and 2011

Schedule 3

	<u>Original/Final Budgeted Amounts</u>	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS) (Continued):			
PUBLIC WORKS (Continued):			
Street Lighting:			
Utilities/repairs and maintenance	\$ 120,000	\$ 86,175	52,063
Public Grounds and Buildings:			
Supplies	500	424	322
Repairs and maintenance	20,500	21,689	10
Contractual services	49,000	55,735	45,679
Utilities	12,500	13,723	12,387
Other services and charges	16,300	5,690	5,083
Capital outlay	99,800	11,344	-
Total Public Grounds and Buildings	198,600	108,605	63,481
Sidewalks:			
Other services and charges	-	-	560
Streets and Alleys:			
Personnel services	361,430	336,158	371,783
Supplies	128,500	113,661	43,129
Repairs and maintenance	84,000	69,509	26,229
Contractual services	50,500	38,766	15,400
Other services and charges	6,400	8,230	11,664
Capital outlay – Road Rehab	572,601	229,279	1,204,288
Total Streets and Alleys	1,203,431	795,603	1,672,493
TOTAL PUBLIC WORKS	1,617,223	1,073,548	1,873,794
GENERAL GOVERNMENT:			
City Clerk's Office:			
Personnel services	135,896	123,728	136,864
Supplies	4,200	4,887	7,032
Repairs and maintenance	3,900	3,900	4,239
Contractual services	11,100	14,818	9,078
Other services and charges	16,600	16,626	16,701
Capital outlay	2,000	-	-
Total City Clerk's Office	173,696	163,959	173,914

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Years Ended April 30, 2012 and 2011

Schedule 3

	<u>Original/Final Budgeted Amounts</u>	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS) (Continued):			
GENERAL GOVERNMENT (Continued):			
Merit Commission:			
Personnel services	\$ 900	\$ 677	\$ 881
Other services and charges.....	<u>9,100</u>	<u>3,954</u>	<u>6,535</u>
Total Merit Commission	<u>10,000</u>	<u>4,631</u>	<u>7,416</u>
Professional Services:			
Personnel services	<u>1,000</u>	<u>720</u>	<u>731</u>
Mayor's Office:			
Personnel services	24,100	21,877	21,457
Supplies	1,000	422	282
Repairs and maintenance	250	187	-
Other services and charges.....	<u>8,375</u>	<u>6,960</u>	<u>6,354</u>
Total Mayor's Office	<u>33,725</u>	<u>29,446</u>	<u>28,093</u>
City Administrator:			
Salaries – Appointed	51,280	14,368	-
Other Services and Charges.....	<u>4,900</u>	<u>-</u>	<u>-</u>
Total City Administrator	<u>56,180</u>	<u>14,368</u>	<u>-</u>
Legal:			
Contractual services	<u>81,000</u>	<u>81,000</u>	<u>81,000</u>
Contingent:			
Personnel services	176,000	118,639	127,932
Contractual services	172,755	196,931	172,654
Special project expenditures	25,000	48,545	5,000
Sales tax rebates	111,000	85,676	-
Other services and charges.....	<u>51,700</u>	<u>52,223</u>	<u>60,807</u>
Total Contingent.....	<u>536,455</u>	<u>502,014</u>	<u>366,393</u>
Engineering:			
Contractual services	74,800	74,800	74,778
Other services and charges.....	<u>150</u>	<u>130</u>	<u>130</u>
Total Engineering	<u>74,950</u>	<u>74,930</u>	<u>74,908</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Years Ended April 30, 2012 and 2011

Schedule 3

	<u>Original/Final Budgeted Amounts</u>	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS) (Continued):			
GENERAL GOVERNMENT (Continued):			
City Planning Commission:			
Other services and charges.....	\$ <u>30,000</u>	\$ <u>30,000</u>	\$ <u>35,000</u>
Lincoln Industrial Commission:			
Other services and charges.....	<u>22,500</u>	<u>23,333</u>	<u>20,000</u>
TOTAL GENERAL GOVERNMENT	<u>1,019,506</u>	<u>924,401</u>	<u>787,455</u>
Debt Service:			
Principal.....	-	38,259	36,875
Interest.....	<u>-</u>	<u>4,467</u>	<u>5,851</u>
Total Debt Service.....	<u>-</u>	<u>42,726</u>	<u>42,726</u>
OTHER FINANCING USES			
Transfer to Crossing Guard Fund	-	-	11,000
Transfer to Bond and Interest	-	63,835	35,984
Transfer to Debt Certificate	-	33,326	33,152
Transfer to Forestry Fund	-	33,000	10,100
Transfer to Public Benefits Fund	-	-	10,000
Transfer to Audit Fund.....	-	1,000	-
Transfer to Liability Insurance.....	<u>-</u>	<u>100,000</u>	<u>202,266</u>
TOTAL OTHER FINANCING USES	<u>-</u>	<u>231,161</u>	<u>302,502</u>
TOTAL CHARGES TO APPROPRIATIONS.....	<u>\$6,070,683</u>	<u>5,612,381</u>	<u>6,335,083</u>
ENDING BUDGETARY FUND BALANCE.....		<u>\$2,920,428</u>	<u>\$2,463,898</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
MAJOR GOVERNMENTAL FUND
MOTOR FUEL TAX FUND
For the Years Ended April 30, 2012 and 2011

Schedule 4

	Original/Final Budgeted Amounts	Current Year Actual	Prior Year Actual
Beginning Budgetary Fund Balances	\$ <u> - </u>	\$ <u>891,918</u>	\$ <u>933,808</u>
RESOURCES (INFLOWS):			
Intergovernmental:			
Motor fuel taxes	400,000	428,194	455,551
Interest Income.....	1,900	1,991	2,011
Other Financing Sources:			
State Grant – IDOT Enhancement.....	<u> - </u>	<u>28,692</u>	<u>8,152</u>
Total Resources (Inflows).....	<u>401,900</u>	<u>458,877</u>	<u>465,714</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS	<u>401,900</u>	<u>1,350,795</u>	<u>1,399,522</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
Public Works:			
Personnel services	184,000	157,262	124,070
Repairs and maintenance	117,500	137,719	113,605
Supplies	222,500	217,226	212,114
Traffic signals.....	44,000	21,862	18,663
Street lights.....	-	-	31,082
Nichelson Street.....	15,500	-	-
Broadway – Hamilton.....	-	-	-
Fifth Street road project	8,000	10,305	8,070
Signal modernization	3,800	-	-
McLean Street - crossing	5,000	-	-
Logan Street - crossing	<u>17,600</u>	<u>16,149</u>	<u> -</u>
TOTAL CHARGES TO APPROPRIATIONS.....	<u>\$ 617,900</u>	<u>560,523</u>	<u>507,604</u>
ENDING BUDGETARY FUND BALANCE.....		<u>\$ 790,272</u>	<u>\$ 891,918</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
MAJOR GOVERNMENTAL FUND
LIABILITY INSURANCE FUND
For the Years Ended April 30, 2012 and 2011

Schedule 5

	Original/Final Budgeted Amounts	Current Year Actual	Prior Year Actual
Beginning Budgetary Fund Balances	\$ <u> -</u>	(\$ <u>39,772</u>)	(\$ <u>34,016</u>)
RESOURCES (INFLOWS):			
Taxes:			
Property taxes.....	126,000	125,492	126,566
Interest Income.....	-	63	105
Other Financing Sources:			
Transfer from General Fund	<u> -</u>	<u>100,000</u>	<u>202,266</u>
Total Resources (Inflows).....	<u>126,000</u>	<u>225,555</u>	<u>328,937</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS	<u>\$126,000</u>	<u>185,783</u>	<u>294,921</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
General Government:			
Insurance expense	<u>378,300</u>	<u>354,740</u>	<u>334,693</u>
TOTAL CHARGES TO APPROPRIATIONS.....	<u>\$378,300</u>	<u>354,740</u>	<u>334,693</u>
ENDING BUDGETARY FUND BALANCE		(<u>\$168,957</u>)	(<u>\$ 39,772</u>)

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
MAJOR GOVERNMENTAL FUND
DEBT SERVICE FUND
For the Years Ended April 30, 2012 and 2011

Schedule 6

	Original/Final Budgeted Amounts	Current Year Actual	Prior Year Actual
Beginning Budgetary Fund Balances	\$ -	\$506,545	\$ 50,093
RESOURCES (INFLOWS):			
Taxes:			
Property taxes.....	-	184,083	176,398
Interest Income.....	-	-	257
Other Financing Sources:			
Transfer from General Fund	-	97,161	69,136
Bond proceeds.....	-	-	500,000
Total Resources (Inflows).....	-	281,244	745,791
AMOUNTS AVAILABLE FOR APPROPRIATIONS	\$ -	787,789	795,884
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
Fees	\$ -	1,000	9,602
Development Expenses.....		52,675	
Other Financing Sources:			
Transfer from General Fund	-	42,726	-
Debt Service:			
Principal	285,110	237,000	250,500
Interest.....	38,000	35,846	29,237
TOTAL CHARGES TO APPROPRIATIONS.....	\$323,110	369,247	289,339
ENDING BUDGETARY FUND BALANCE		\$418,542	\$506,545

City of Lincoln, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
For the Fiscal Year Ended April 30, 2012

Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April of each year, the Finance Committee of the City Council submits to the City Council a proposed operating budget for the fiscal year commencing that May 1.
2. A copy of the proposed budget is placed on file with the City Clerk and a date for public hearings is announced.
3. The budget is passed by City Council.
4. The appropriation is legally enacted through the passage of an ordinance.
5. After adoption of the appropriation, further appropriations are prohibited. Transfers from one appropriation of any fund to another appropriation of the same fund, not affecting the total amount appropriated, may be made subject to City Council approval.
6. Formal budgetary integration is employed as management control device during the year for the General Fund, the Special Revenue Funds, and the Debt Service Fund.

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 April 30, 2012

<u>Assets</u>	<u>Emergency Services</u>	<u>Forestry</u>	<u>Capital Projects</u>	<u>Municipal Retirement</u>	<u>Public Benefits</u>	<u>Crossing Guards</u>	<u>Audit</u>	<u>Revolving Loan</u>	<u>Equipment Rentals</u>	<u>Total 2012</u>
ASSETS										
Cash and cash equivalents.....	\$ 8,942	\$ 10,138	\$ 109	\$ 71,414	\$ 24,720	\$ -	\$ 213	\$ 259,135	\$ 243,668	\$ 618,339
Taxes receivable.....	4,000	48,700	-	227,000	47,000	15,000	17,500	-	-	359,200
Due from other funds.....	-	-	-	-	4,248	-	-	-	-	4,248
TOTAL ASSETS	\$ 12,942	\$ 58,838	\$ 109	\$ 298,414	\$ 75,968	\$ 15,000	\$ 17,713	\$ 259,135	\$ 243,668	\$ 981,787
<u>Liabilities And Fund Balances</u>										
LIABILITIES										
Deferred revenue.....	\$ 4,000	\$ 48,700	\$ -	\$ 227,000	\$ 47,000	\$ 15,000	\$ 17,500	\$ -	\$ -	\$ 359,200
Due to other funds.....	-	-	-	-	-	4,248	-	-	-	4,248
Total Liabilities.....	4,000	48,700	-	227,000	47,000	19,248	17,500	-	-	363,448
FUND BALANCES										
Restricted for:										
Special projects.....	8,942	10,138	109	71,414	28,968	(4,248)	213	-	-	115,536
Unassigned	-	-	-	-	-	-	-	259,135	243,668	502,803
Total Fund Balances	8,942	10,138	109	71,414	28,968	(4,248)	213	259,135	243,668	618,339
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 12,942	\$ 58,838	\$ 109	\$ 298,414	\$ 75,968	\$ 15,000	\$ 17,713	\$ 259,135	\$ 243,668	\$ 981,787

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended April 30, 2012

	Emergency Services	Forestry	Capital Projects	Municipal Retirement	Public Benefits	Crossing Guards	Audit	Revolving Loan	Equipment Rentals	Total 2012
REVENUES:										
Taxes:										
Property taxes.....	\$ 3,982	\$ 47,546	\$ -	\$224,794	\$ 46,614	\$ 5,156	\$ 17,266	\$ -	\$ -	\$345,358
Intergovernmental:										
Replacement taxes.....	-	-	-	29,376	-	-	-	-	-	29,376
Charges for services.....	-	-	-	-	-	-	-	-	174,918	174,918
Interest	2	24	-	113	23	7	9	586	665	1,429
TOTAL REVENUES.....	3,984	47,570	-	254,283	46,637	5,163	17,275	586	175,583	551,081
EXPENDITURES:										
General government.....	6,044	-	-	238,824	-	-	18,000	-	-	262,868
Public safety	-	-	-	-	-	11,648	-	-	-	11,648
Public works/streets.....	-	76,794	-	-	38,391	-	-	-	-	115,185
TOTAL EXPENDITURES.....	6,044	76,794	-	238,824	38,391	11,648	18,000	-	-	389,701
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,060)	(29,224)	-	15,459	8,246	(6,485)	(725)	586	175,583	161,380
OTHER FINANCING SOURCES (USES)										
Transfers in.....	-	33,000	-	-	-	-	1,000	-	-	34,000
NET CHANGE IN FUND BALANCES	(2,060)	3,776	-	15,459	8,246	(6,485)	275	586	175,583	195,380
FUND BALANCES – BEGINNING.....	11,002	6,362	109	55,955	20,722	2,237	(62)	258,549	68,085	422,959
FUND BALANCES – ENDING.....	\$ 8,942	\$ 10,138	\$ 109	\$ 71,414	\$ 28,968	(\$ 4,248)	\$ 213	\$259,135	\$243,668	\$618,339

City of Lincoln, Illinois
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
April 30, 2012

Schedule 9

<u>Assets</u>	<u>Sewer Operations & Maintenance</u>	<u>EPA Loan</u>	<u>Contingency and Depreciation</u>	<u>Total 2012</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 250,246	\$ -	\$ 116,505	\$ 366,751
Accounts receivable	537,348	-	-	537,348
Due from other funds	<u>-</u>	<u>-</u>	<u>877,387</u>	<u>877,387</u>
Total Current Assets	<u>787,594</u>	<u>-</u>	<u>993,892</u>	<u>1,781,486</u>
CAPITAL ASSETS				
Sewerage system	14,845,742	-	-	14,845,742
Less: Accumulated depreciation	(<u>7,020,135</u>)	<u>-</u>	<u>-</u>	(<u>7,020,135</u>)
Net Capital Assets	<u>7,825,607</u>	<u>-</u>	<u>-</u>	<u>7,825,607</u>
TOTAL ASSETS	<u>\$ 8,613,201</u>	<u>\$ -</u>	<u>\$ 993,892</u>	<u>\$ 9,607,093</u>
 <u>Liabilities and Fund Balances</u>				
LIABILITIES				
Accounts payable	\$ 37,201	\$ -	\$ -	\$ 37,201
Deferred income	14,720	-	-	14,720
Notes and bonds payable	-	6,529,092	-	6,529,092
Due to other funds	<u>877,387</u>	<u>-</u>	<u>-</u>	<u>877,387</u>
Total Liabilities	<u>929,308</u>	<u>6,529,092</u>	<u>-</u>	<u>7,458,400</u>
FUND BALANCES				
Reserved	-	-	993,892	993,892
Unreserved	<u>7,683,893</u>	(<u>6,529,092</u>)	<u>-</u>	<u>1,154,801</u>
Total Fund Balances	<u>7,683,893</u>	(<u>6,529,092</u>)	<u>993,892</u>	<u>2,148,693</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,613,201</u>	<u>\$ -</u>	<u>\$ 993,892</u>	<u>\$ 9,607,093</u>

City of Lincoln, Illinois
**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUND**
For the Year Ended April 30, 2012

Schedule 10

	Sewer Operations & Maintenance	EPA Loan	Contingency and Depreciation	Total 2012
OPERATING REVENUES				
Charges for services	\$ 2,836,284	\$ -	\$ -	\$ 2,836,284
Other income	<u>16,291</u>	<u>-</u>	<u>-</u>	<u>16,291</u>
Total Operating Revenues	<u>2,852,575</u>	<u>-</u>	<u>-</u>	<u>2,852,575</u>
OPERATING EXPENDITURES				
Personnel service	70,555	-	-	70,555
Contractual maintenance services	1,368,865	-	-	1,368,865
Supplies and materials	8,116	-	-	8,116
Other fees and charges	24,139	-	-	24,139
Depreciation	455,938	-	-	455,938
Repairs and maintenance	93,339	-	-	93,339
Office supplies	3,243	-	-	3,243
Professional fees	(651)	-	-	(651)
Postage	9,543	-	-	9,543
Telephone	769	-	-	769
Insurance	28,203	-	-	28,203
Facility utilities	<u>252,892</u>	<u>-</u>	<u>-</u>	<u>252,892</u>
Total Operating Expenditures	<u>2,314,951</u>	<u>-</u>	<u>-</u>	<u>2,314,951</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>537,624</u>	<u>-</u>	<u>-</u>	<u>537,624</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	650	-	-	650
Interest (expense)	-	(176,791)	-	(176,791)
Operating transfers in	78,700	642,387	78,000	799,087
Operating transfers (out)	(720,387)	<u>-</u>	(78,700)	(799,087)
Total Nonoperating Revenues (Expenses)	(641,037)	<u>465,596</u>	(700)	(176,141)
NET CHANGES IN FUND BALANCE	(103,413)	<u>465,596</u>	(700)	<u>361,483</u>
FUND BALANCES - BEGINNING	<u>7,787,306</u>	(6,994,688)	<u>994,592</u>	<u>1,787,210</u>
FUND BALANCES - ENDING	<u>\$ 7,683,893</u>	<u>(\$6,529,092)</u>	<u>\$ 993,892</u>	<u>\$ 2,148,693</u>

City of Lincoln, Illinois
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Year Ended April 30, 2012

Schedule 11

	Sewer Operations & Maintenance	EPA Loan	Contingency and Depreciation	Total 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Collections from customers	\$2,814,358	\$ -	\$ -	\$2,814,358
Other income	16,291	-	-	16,291
Payments for personnel services.....	(70,555)	-	-	(70,555)
Payments for goods and services.....	(1,778,511)	-	-	(1,778,511)
Net cash provided by operating activities	<u>981,583</u>	-	-	<u>981,583</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Operating transfers in.....	78,700	642,387	78,000	799,087
Operating transfers (out).....	(564,194)	-	(234,893)	(799,087)
Net cash provided by (used for) noncapital and related financing activities	(485,494)	<u>642,387</u>	(156,893)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets.....	(258,988)	-	-	(258,988)
Principal payments on notes	-	(465,596)	-	(465,596)
Interest paid on notes	-	(176,791)	-	(176,791)
Net cash (used for) capital and related financing activities	(258,988)	(642,387)	-	(901,375)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income.....	<u>650</u>	-	-	<u>650</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	237,751	-	(156,893)	80,858
CASH AND CASH EQUIVALENTS, BEGINNING.....	<u>12,495</u>	-	<u>273,398</u>	<u>285,893</u>
CASH AND CASH EQUIVALENTS, ENDING.....	<u>\$ 250,246</u>	<u>\$ -</u>	<u>\$ 116,505</u>	<u>\$ 366,751</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income.....	\$ 537,624			
Adjustment to reconcile operating income to cash provided by operating activities:				
Depreciation	455,938			
Changes in net assets and liabilities:				
(Increase) in accounts receivables	(21,926)			
(Decrease) in accounts payables.....	(4,773)			
Increase in deferred income.....	<u>14,720</u>			
Net Cash Provided By Operating Activities	<u>\$ 981,583</u>			

City of Lincoln, Illinois
**SCHEDULE OF ASSESSED VALUATIONS, TAX RATES,
EXTENSIONS AND COLLECTIONS**
For The Year Ended April 30, 2012

Schedule 12

	<u>2011</u> <u>Levy</u>	<u>2010</u> <u>Levy</u>	<u>2009</u> <u>Levy</u>
ASSESSED VALUATION.....	<u>\$145,514,060</u>	<u>\$148,769,345</u>	<u>\$149,643,087</u>
TAX RATES			
General .....	.00746	.00736	.00732
Police protection.....	.04416	.04343	.04315
Fire Protection.....	.09297	.09200	.09141
Forestry.....	.03597	.03533	.03510
Firemen's pension.....	.28799	.27966	.25594
Firemen's spouse pension.....	.00057	.00057	.00056
Policemen's pension.....	.32270	.31425	.29031
I.M.R.F. ....	.10117	.10083	.10019
Emergency service .....	.00300	.00295	.00293
Public benefit .....	.03471	.03459	.03437
Liability insurance.....	.09359	.09327	.09268
Audit.....	.01290	.01283	.01275
Bonds.....	.13380	.13509	.12917
School crossing guard .....	.01108	.01104	.01097
Social Security	<u>.06646</u>	<u>.06624</u>	<u>.06582</u>
 Total	 <u>1.24853</u>	 <u>1.22944</u>	 <u>1.17267</u>

City of Lincoln, Illinois
**SCHEDULE OF ASSESSED VALUATIONS, TAX RATES,
EXTENSIONS AND COLLECTIONS**
For The Year Ended April 30, 2012

Schedule 12

	<u>2011</u> <u>Extended</u>	<u>2010</u> <u>Extended</u>	<u>2009</u> <u>Extended</u>
TAX EXTENSIONS			
General	\$ 10,102	\$ 10,000	\$ 10,954
Police protection.....	59,802	59,013	64,571
Fire Protection.....	125,902	125,011	136,789
Forestry.....	48,711	48,007	52,525
Firemen's pension.....	390,022	380,005	382,997
Firemen's spouse pension.....	772	775	838
Policemen's pension.....	437,007	427,008	434,429
I.M.R.F.	137,007	137,009	149,927
Emergency service	4,063	4,008	4,385
Public benefit	47,005	47,001	51,432
Liability insurance.....	126,742	126,736	138,689
Audit.....	17,469	17,434	19,079
Bonds.....	181,195	183,562	193,294
School crossing guard	15,005	15,001	16,416
Social Security	<u>90,002</u>	<u>90,008</u>	<u>98,495</u>
Total Extended	<u>\$1,690,806</u>	<u>\$1,670,578</u>	<u>\$1,754,820</u>
Total Collected		<u>\$1,653,723</u>	<u>\$1,694,609</u>
Percentage Collected.....		<u>98%</u>	<u>97%</u>
Road and Bridge Collection.....		<u>\$ 75,235</u>	<u>\$ 75,526</u>

City of Lincoln, Illinois
SCHEDULE OF LEGAL DEBT MARGIN
For The Year Ended April 30, 2012

Schedule 13

ASSESSED VALUATION AS OF DECEMBER 31, 2011	<u>\$145,514,060</u>
DEBT LIMITATION, 8.625% OF ASSESSED VALUATION.....	\$ 12,550,588
Less: Bonded Indebtedness.....	(<u>120,000</u>)
LEGAL DEBT MARGIN, APRIL 30, 2012	<u>\$ 12,430,588</u>